

League of Oregon Cities

insurance trust

1201 Court Street NE, P.O. Box 928, Salem, Oregon 97308. Telephone: 588-6466

June 8, 1984

To: City Managers or City Recorders of Cities Participating in
the League of Oregon Cities Group Employee Benefits
Services Insurance Programs

Subject: Final Information on Premium Rates and Coverages for 1984-
85 Premium Year

This letter will provide you with the actual rate increases for the various insurance programs.

The open enrollment packet which will contain the actual rates for the '84-'85 policy year will be sent to you in late June.

MAXIMUM PREMIUM INCREASES INCLUDED IN THIS LETTER - RATES WILL BE SENT THE END OF JUNE.

We are very pleased to announce significantly lower rate increases than originally estimated in March. Several factors which have contributed to the lower rates are outlined below:

1. The medical inflation rate (trend factor) is continuing to decline and is approximately 4% lower than last year - from 16.5% to 12.4%.
2. The Trust has purchased excess insurance coverage for medical claims exceeding \$100,000 to protect the overall Trust. During the past year, there were several claims exceeding this amount, and this insurance will pay any claims over \$100,000.
3. Due to the favorable position of the Trust reserves, medical rates will be subsidized by 5.7% this policy year.

The following information briefly summarizes renewal rate increases as quoted by carriers and finally negotiated by the Trust:



Trustees: Edward C. Harms, Jr., Springfield; Gerald Pecinovsky, Oregon City; Arnold C. Swanson, Astoria.
Administrator: Stephen C. Bauer

Coverage	Preliminary Maximum	Negotiated Maximum	Trust Subsidy	Actual Rate Increase to EBS Members
----------	------------------------	-----------------------	------------------	---

Medical

All Blue Cross plans	+20.3%	+15.0%	5.7%	+8.8%
Plan I	"	"	"	"
Plan II	"	"	"	"
Plan III	"	"	"	"
Plan IV	"	"	"	"
Plan IV-A	"	"	"	"
(Plan V--pilot project)	"	"	"	"

Dental

Plan I	-0-		-0-	-3.5% (decrease)
Plan II	+4.6%		-0-	-0-
Plan III	+4.6%		-0-	-0-

Orthodontia

\$1,000 benefit plan	+4.6%			-0-
----------------------	-------	--	--	-----

REMINDER: The \$500 orthodontia plan has been discontinued, effective August 1, 1984.

Prescription Drug Option

The claims for this option have far exceeded the premium, as announced in March.

+24.7%	-0-	+24.5%
--------	-----	--------

Vision

Base Vision Plan	-0-	-0-	-7.1% (decrease)
UCR Vision Plan	-0-		-0-

Kaiser

Kaiser does not offer claims experience information nor does it negotiate with the Trust on rates. The Trust offers Kaiser as a convenience to cities with mixed employee groups in the Portland area to simplify premium payment.

Kaiser Medical	+11.0%		+10.2%
Kaiser Dental (\$2 copayment plan)	+11.3%		+11.2%

NOTE: The \$3 copayment Kaiser Dental Plan will be discontinued effective August 1, 1984.

June 8, 1984
Page 3

<u>Coverage</u>	<u>Preliminary Maximum</u>	<u>Negotiated Maximum</u>	<u>Trust Subsidy</u>	<u>Actual Rate Increase to EBS Members</u>
-----------------	--------------------------------	-------------------------------	--------------------------	--

Life & AD&D Plans

-0-

-0-

The five options have been redesigned this year and will be easier to understand when choosing your coverage.

The revised options will be sent to you in the packet at the end of June for open enrollment. Premiums for the options will remain the same and in one case, will decrease.

Long-Term Disability Insurance

PLEASE SEE ATTACHED PINK SHEET FOR STANDARD INSURANCE LTD. CHANGES FOR ALL CITIES

NOTE: There are increased benefits in the basic LTD contract effective August 1, 1984.

EBS members with
under 25 lives

-0-

-0-

EBS members with
tailormade rates (over
25 lives)

Please see the pink sheet for an option to adopt limitations
in coverage at an 8% rate reduction.

Information will be sent in the open enrollment mailing packet to be mailed in late June to select the 8% discount for accepting the LTD contract limitations.

THE OPEN ENROLLMENT PACKET, INCLUDING INSURANCE PLAN DESCRIPTIONS AND THE COVERAGE SELECTION SHEET WILL BE SENT TO YOU THE END OF JUNE. CHANGES CAN BE MADE DURING THE MONTH OF JULY. NEW RATES WILL BE EFFECTIVE AUGUST 1, 1984.

We are very pleased to announce these lower rate increases to you. The Trust will continue to work to lower these increases through our various cost containment and education programs.

Please call Cindy Parrish if you have any questions.

Sincerely,



Richard C. Townsend
Acting Executive Director

RCT:bas
Enclosure

STANDARD INSURANCE

LONG-TERM DISABILITY CONTRACT CHANGES
EFFECTIVE AUGUST 1, 1984

1. LTD CONTRACT CHANGES FOR ALL CITIES

A. Eligibility

If a member returns to work within 90 days, he/she is immediately eligible for coverage--no waiting period has to be satisfied. (Currently the member is subject to a waiting period before coverage is effective if returning to work.)

B. Rehabilitation

If a disabled member returns to work, only one-half the amount of his/her earnings will be deducted from his/her benefits. This is to encourage disabled members to attempt to return to work. (Currently a disabled worker's benefit is reduced by the total amount of his/her earnings.)

C. Survivor's Benefit

A deceased member's spouse or unmarried child under age 21 will receive the member's benefit for three months with no reduction from other income.

D. Deductible Benefits

As an incentive to encourage disabled members to return to work, unemployment benefits will be deducted from a member's benefits.

E. Total Disability

New wording for total disability is "inability to perform the material duties" of a member's own occupation for 24 months plus the Elimination Period; and any occupation thereafter. The old definition is "complete inability to engage in . . ."

The new definition also removes dismemberment. In other words, loss of an arm will not automatically qualify as a total disability. However, a person may still be determined disabled through the claims procedure.

F. Leave of Absence

A member may continue LTD coverage with proper premium payment during a leave of absence which is scheduled to last up to 30 days.

G. Miscellaneous

- (1) LTD benefits will be paid for 12 months during residence in a foreign country. (The current contract provides no coverage in this instance.)
- (2) No LTD benefit will be paid for a disability caused or contributed to by committing or attempting to commit an assault or felony or by active participation in a violent disorder or riot unless the member is performing official duties.
- (3) There will be no LTD benefit paid during imprisonment.

2. LTD CONTRACT CHANGES FOR ALL CITIES WITH UNDER 25 EMPLOYEES

- A. Maximum benefit duration for sickness is increased from 5 years to age 65.
- B. Maximum benefit payable is increased to \$1,500 per month from \$1,000.
- C. Benefit percentage paid remains at 50%.
- D. Limitations shown below are also effective August 1, 1984 for cities with under 25 employees.

3. NEW LTD CONTRACT LIMITATIONS

- A. Pre-existing Condition Limitation for New Employee: A condition for which treatment is received during 90 days prior to the effective date of insurance is not covered until the employee is continuously insured for 12 months during which he/she missed fewer than 60 days due to disability.
- B. Alcoholism, Drug Addiction or Use of Hallucinogen: Disability caused by these conditions have a lifetime limit of 24 months.
- C. Mental Disorder Disabilities: Benefits are paid for only 24 months for each period of disability, unless the disabled member is confined in the hospital at the end of the 24-month period.

4. LTD OPTIONS FOR CITIES WITH OVER 25 EMPLOYEES

- A. Tailormade plans including benefit amounts, duration and rates will continue for cities with over 25 employees.
- B. The limitations outlined above may be adopted by each city with over 25 employees at an 8% rate reduction.